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S E C R E T SECTION 01 OF 03 SHANGHAI 000508

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NSC FOR WILDER AND TONG

E.O. 12958: DECL: MR, X1
TAGS: PGOV PINR EINV ECON CH
SUBJECT: BEIDAIHE ENDS WITHOUT RESOLUTION

REF: A) SHANGHAI 485; B) BEIJING 5139

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CLASSIFIED BY: Simon Schuchat, Acting Consul General, U.S.
Embassy, Beijing, Department of State.
REASON: 1.4 (b), (c)

¶1. (S) Summary: According to a well-connected contact who just returned from Beidaihe, the Work Conference that had been convened to sort out the Politburo name list for the 17th Party Congress has ended without resolution as different factions found it difficult to compromise on candidates. Unwilling to push the date of the Party Congress into November, President Hu Jintao has ordered the Work Conference to reconvene within 10 days and has stated that the name list must be finalized by early October at the latest. The only promotion to the Politburo Standing Committee (PBSC) that seems certain at this point is Liaoning Party Secretary Li Keqiang. Hu also dispelled rumors that Wen Jiabao would retire, claiming that China needed Wen to remain as Premier. Prior to the Work Conference, party elder Jiang Zemin came under blistering criticism from his fellow elders after he submitted his own "suggested" name list for the PBSC. End summary.

Beidaihe Ends, Name List Not Finalized

¶2. (S) During an August 10 discussion, Nanjing University Professor Gu Su told Poloff that the Work Conference that had convened at Beidaihe on August 2 had recently concluded. Gu had returned earlier in the morning from a conference on economic law in Beijing with Development Research Center Economist Wu Jinglian and Beijing University Management School Dean Li Yining and, earlier in the week, from Beidaihe. (Comment: Although Gu said he had been "invited" to Beidaihe, it was not clear in what capacity. Gu was not privy to any of the leadership discussions and obtained his information second or third hand from other attendees. End comment.) Although the purpose of the Work Conference had been to finalize the name list for the Politburo for the upcoming 17th Party Congress, discussions had broken down and the meeting concluded without reaching its stated aims.

¶3. (S) Gu said Wu described the Work Conference and the

surrounding factional disagreements as a "complicated" and "violent" struggle. Aside from President Hu Jintao's Communist Youth League Faction and the remnants of the so-called Shanghai faction associated with former President Jiang Zemin, there were other factions that were involved in the leadership debate. Some of these included factions associated with former Premier Zhu Rongji and former legislative chief Li Peng. Although not as prominent as Hu's and Jiang's factions, these other factions nonetheless maintained significant influence within the Central Committee. The discussions had stalled because it was almost impossible to find Politburo and Politburo Standing Committee (PBSC) members that were acceptable to all the different constituencies.

Party Congress to be Held in October, Beidaihe to Reconvene

¶ 4. (S) Gu said that some within the party had floated a proposal that the Party Congress, originally scheduled to begin on or around October 16th, be pushed back to November to accommodate further discussion, particularly concerning who should be promoted to the PBSC. President Hu Jintao had rejected that proposal, stating that the list must be finalized by the end of September or the beginning of October at the latest and that he would hold to the mid-October date. As a result, the leadership will be returning to Beidaihe for another round of meetings within the next 10 days.

Li Keqiang Makes it; Others Uncertain

¶ 5. (S) Despite the lack of a full name list, at least decision had been reached; Liaoning Li Keqiang would be elevated to the PBSC. This, Gu opined, indicated that Li had been tapped to be Hu's replacement at the 18th Party Congress in 2012. Gu noted that Jiangsu Party Secretary Li Yuanchao had likewise been considered for a PBSC slot, but had faced much opposition over

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to his "mixed" track record in Jiangsu. As a result, Li Yuanchao would not likely be on the PBSC, but was likely to fill a Politburo slot, filling the role of Head of the Organization Department, "chief of staff," or vice Premier--possibly even Executive Vice Premier. Li Yuanchao might be in line to replace Premier Wen Jiabao in 2012, but Gu believed it more likely that that would be Trade Minister Bo Xilai's position to lose. Professor Li Yining spoke highly of both Lis, calling them his "good students," who were both rather "enlightened." Li told Wu Jinglian that he expected he would have significant influence with both Li Keqiang and Li Yuanchao in the future.

¶ 6. (S) Gu said that his contacts had told him that the PBSC would probably shrink, noting that Hu preferred a seven person PBSC. The smaller PBSC, Hu believed, was easier to control. Vice President Zeng Qinghong, Central Discipline Inspection Commission (CDIC) head Wu Guanzheng, and head of the Politics and Law Portfolio Luo Gan would all retire, having reached the age of 68. In order to force Zeng to abide by the rule, Hu had also accepted that Vice Premier Wu Yi, whom Hu had favored for promotion, step down in accordance with the party's established "seven up, eight down" rule. (Comment: If this is true, Hu may never have intended to promote Wu Yi. Rather, he may have used the prospect of her promotion as a bargaining chip against Zeng--who, according to press reports, had been trying to find a loophole to stay on the PBSC--to leverage him out. End comment.) Vice Premier Zeng Peiyan would also be retiring.

¶ 7. (S) Organization Department Head He Guoqiang and Public Security Minister Zhou Yongkang were the leading candidates to replace Wu Guanzheng. Despite "strong opposition," Guangdong Party Secretary Zhang Dejiang, a Jiang associate, was also a PBSC contender and might also fill in the CDIC slot or replace Huang Ju as Executive Vice Premier and assume Huang's portfolios. However, Vice Premier Hui Liangyu was the leading

candidate to replace Huang. Gu noted that opposition to Hui continued to be strong owing to his close ties to Jiang and corruption allegations that had dogged him from his time in Anhui Province. Hui had even been criticized by the CDIC "for a while." Gu added that that in addition to Li Yuanchao and Bo Xilai, Shanghai Party Secretary Xi Jinping and Qinghai Party Secretary Zhao Leji were leading candidates for Politburo slots.

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Damning Wen With Faint Praise

¶18. (S) Another decision that had been "reached" at the Work Conference was that Wen Jiabao would remain as Premier. Wen had been coming under heavy criticism from the Shanghai faction and there was talk that he would be stepping down at the Party Congress. However, Hu argued that the leadership needed Wen to stay on board at the present time. China was facing serious economic problems, such as inflation, and major environmental problems and the nation needed a steady hand. Besides, Hu argued, there was no one currently who was qualified to replace Wen. Despite Hu's apparent support for Wen, however, Gu noted that there was more tension between Wen and Hu than had appeared earlier in their term. Wen was unhappy with Hu's constant meddling in government affairs.

Jiang Criticized at Democratic Life Meeting

¶19. (S) On July 15, approximately two weeks before the Beidaihe Work Conference, many current leaders assembled with party elders in a "democratic life meeting" (minzu shenghuo hui) to preliminarily discuss personnel arrangements. Prior to this meeting, Jiang had circulated a "recommended" name list of the nine people he felt should be on the PBSC, including, among others, current PBSC members Jia Qinglin and Li Changchun, as well as He Guoqiang to replace Wu Guanzheng, and Zhou Yongkang to replace Luo Gan. Jiang also openly opposed promoting Li Keqiang to the PBSC on the grounds that he was "too young" and had been promoted "too fast."

¶10. (S) According to Gu, Party elder and Jiang critic Li Ruihuan was chairing the meeting and fellow party elder and Jiang critic Qiao Shi was the main speaker. Qiao tore into Jiang, accusing him of meddling in personnel decisions and exceeding his authority for submitting his suggested PBSC name list. Qiao upbraided Jiang at one point saying "You've been retired now for five years! How can you presume to be trying to

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arrange the new Politburo Standing Committee?" Qiao accused Jiang of having "broken the rules" at the 16th Party Congress by expanding the PBSC and packing so many of his supporters onto the Politburo, particularly so many--such as Huang Ju and Chen Liangyu--who had such serious problems. Qiao firmly stated "We cannot allow you to do this again!" Later, Qiao also reprimanded Jiang for having broken protocol and brought his wife to Huang Ju's funeral, noting that none of the other leaders had brought their wives. Qiao asked "What were you doing? Were you trying to show your intimacy with Huang's family?" Jiang reportedly left the meetings severely chastened and unhappy.

¶11. (S) Gu noted that in theory, these "democratic life meetings" were supposed to be held each month at national, provincial and local levels of governance. In practice, however, retired leaders usually did not want to be bothered with monthly meetings and held them on a more erratic basis, only showing up if there was something particularly interesting to discuss. In the summer, the central-level meetings were held at Beidaihe, while in the winter, the meetings might be convened in Beijing, Shanghai, or a warmer city. In the run-ups to party congresses, however, party elders insisted on holding these

meetings regularly. In fact, Gu said that the elders planned to hold another one in August to continue their discussions of leadership issues.

Comment: It is Still Fluid

¶12. (S) The feathers are flying, and while our contact seemed to believe that progress was being made, we are hesitant to say that any of these so-called "decisions" will remain binding through the Party Congress. Last minute brokering and arm twisting can significantly alter the outcome, even up until the final hour. As our contact notes, the situation is more complicated than a simple "two-line struggle." End comment.
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